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Kentucky Real Estate Appraisers Board

April 30, 2008

Office of Federal Housing Enterprise Oversight (OFHEO)
1700 G Street, NW
4th Floor
Washington, DC 20552

RE: Home Valuation Code of Conduct (“HVCC”)

To Whom It May Concern:

It is my pleasure, on behalf of the staff and the Board members of the Kentucky Real Estate Appraisers to thank the New York Attorney General Andrew M. Cuomo, the Office of Federal Housing Enterprise Oversight, Fannie Mae, and Freddie Mac for taking the initiative to fight the rampant mortgage fraud problems that have plagued real property appraisers for years.

The Kentucky Real Estate Appraisers Board was created by act of the Kentucky General Assembly in 1991 for the purpose of licensing and certifying real property appraisers to protect the financial interests of federally regulated financial institutions.

It has been suggested by some of the Kentucky licensed and certified real property appraisers that the Kentucky Board should follow the lead of other States in responding to all of or parts of the “HVCC.”

In March of this year the Kentucky Board established a position that at this time there is not sufficient information available to make a decision of how, if at all, the agreement might impact the regulation of appraisers, positively or negatively. Therefore, the Board voted at that time to not reply until the matter has been studied, and adequate information is made available from which to present a reasonable and rationale reply.

However, I have informed the Board Chair of my intentions to write this letter. I am doing so personally and my comments are not representative of the views of the Kentucky Real Estate Appraisers Board, any individual, group or entity.

It is my personal opinion that the pressure being applied daily to appraisers by persons ordering and seeking real property appraiser services for residential mortgage lending is at the highest level in the history of real estate financing. Therefore, some method must immediately be put in place that will shield the appraiser from pressure.

Some of the questions of concern presented by the appraisers who have contacted me about the “HVCC” are: “What type of system will be installed? Who will control the system? What latitude will the system controllers have in managing the appraisers’ assignment fees, their turn time from order to the finished appraisal being completed, and final payment of appraisal fees? Who will review the appraisal assignments, and will the reviewer have the authority to pressure the appraiser to change or alter value opinions?”



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The proliferation of appraisal management companies and their deciding appraiser selection is a great cause for concern. Often, the final decision of selecting an appraiser is based on a low fee, a quick turn time for the assignment, and whether the appraiser will hit the mark? Even more often, the only requirement for selection is the lowest fee. There is seldom any discussion or apparent concern of one's competency or experience. Therefore, simply having a management company concept for ordering appraisal assignments is probably a bad idea, and it could create more harm than good.

Within the past six-months I have received numerous telephone calls from appraisers complaining that mortgage lenders have pressured them to ignore declining markets and instead list that the market is stable, even though evidence to the contrary exists. Apparently, this type of pressure is becoming the norm and the latest pressure technique. If the appraiser says no to the request, he or she is often removed from the approved list of the management company or the client ordering the assignment. The appraisers find it difficult to locate anyone or group to call and report complaints about such actions. If they do find a source with which to file the complaint, there is often nothing done about the matter.

It is my opinion that great caution should be exercised in selecting a national management group for the purpose of selecting appraisers and ordering real property appraisal assignments. More critical than deciding the particular group or entity will be the management requirements for ordering assignments, appraiser selection, and a complaint process.

Another problem in the profession of real property appraising is the requests for unlicensed activity. Kentucky is one of nine States that does not have mandatory licensing and certification for real property appraiser assignments outside of "FRT" transactions and real estate related loan transactions.

In the absence of mandatory licensing, many of the mortgage loans in Kentucky are financed using Broker Price Opinions (BPO) or some other form of service that does not require specialized appraisal training or experience. I request the "HVCC" language be amended to include a prohibition of "BPO" types of appraisal assignments for any loan purchased by Fannie Mae or Freddie Mac.

Thank you for the opportunity to comment, and please accept the above as my personal opinion on the "HVCC" proposal now before the Office of Federal Housing Enterprise Oversight, Fannie Mae and Freddie Mac.

Sincerely,



Larry Disney
Executive Director

Cc: File



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